



The Partnership for Michigan's Health

FOR IMMEDIATE RELEASE
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**Deeper Medicaid Cuts Could Harm Children and the Elderly,
Shift Higher Costs to Employers
and Eliminate Thousands of Good Jobs**

LANSING – The Partnership for Michigan's Health today announced opposition to planned Medicaid cuts of four percent to health care providers in FY 2005.

Leaders from the Michigan Health & Hospital Association (MHA), the Michigan State Medical Society (MSMS) and the Michigan Osteopathic Association (MOA) are concerned that the cuts will adversely affect the Medicaid system and patients' access to necessary health care, especially as a record number of Michigan residents—1.42 million, or one in seven — now get their health care through the Medicaid program.

"We recognize the deep and worsening budget crisis facing our state, the governor, and the legislature, and the very difficult choices they must make to balance the budget," said MHA executive vice president David Seaman. "However, we are disappointed that Medicaid cuts have been announced at a time when Michigan hospitals are struggling to maintain the safety net for the state's approximately one million uninsured, improve quality of care and address the challenge of affordable health care."

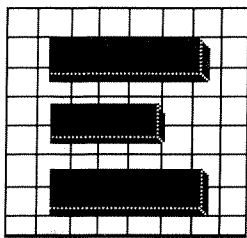
"Cutting Medicaid by four percent is not good for patients and will only make it harder for mothers, children, the elderly and disabled to access the health care they need," said MSMS president John M. MacKeigan, MD. "Medicaid is already significantly under-funded, so cutting reimbursements to health care providers is not a fiscally responsible solution to the state's financial problems."

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"A recent EPIC-MRA survey showed that while Michigan voters believe that the state budget is in crisis, they still want lawmakers to protect K-12 education and health care above all programs and services," said MOA president Lewin Wyatt, Jr., DO. "The survey specifically noted that 89 percent of voters rated adequate funding for Medicaid health care services as a top state priority."

The Partnership pointed out that in most cases, Medicaid reimbursement does not even cover the cost of providing the care. Medicaid cuts force physicians to limit the number of Medicaid patients they can treat in order to keep their doors open. So, an initial cut in reimbursement may cause greater harm to the Medicaid system by potentially forcing providers out and leaving beneficiaries without an established doctor-patient relationship. With limited access, more and more Medicaid patients use hospital emergency rooms for primary care, and the cost of providing this care is shared by employers in the form of higher health care premiums for their employees.

The Partnership is working with Governor Granholm and state lawmakers to find solutions to protect health care services for Michigan's most vulnerable citizens.



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Michigan Voters: State Budget is in Crisis, But Protect K-12 Education and Medicaid

LANSING, Mich. — Michigan voters believe that the state budget is in crisis, but they want lawmakers to protect K-12 education and health care over other programs and services, according to a new EPIC • MRA poll released today.

The survey found that a majority (59 percent) of Michigan voters believe more can be cut from the state budget before fees and taxes are raised. But compared to past EPIC • MRA surveys, voter support for boosting certain taxes is increasing. Majority support was found for extending the coverage of the state's 6-percent sales tax to certain classes of purchases not now subject to that tax, and indeed, there was majority support for a temporary increase in the income tax rate. The survey of 600 voters was conducted Jan. 30-Feb. 3 and has a margin of error of \pm 4.1 percent.

"Michigan voters now believe that the state budget is in crisis, but they want local public schools and the Medicaid program to be protected even if other programs must be cut," said EPIC • MRA Vice President Ed Sarpolus.

In the survey, providing adequate funding for Medicaid health care services for children, elderly citizens, the disabled, and low income citizens was rated as important by 89 percent of survey respondents, including 60 percent who rated it the state's "top priority."

"Significantly, only 2 percent of voters believe lawmakers should cut Medicaid to balance the budget," said Sarpolus. "In other words, statistically, there is no support among voters for cutting Medicaid."

Providing adequate funding for local public schools was rated important by 84 percent of voters, including 51 percent who said it should be the state's "top priority."

The poll, conducted on behalf of the Michigan Health & Hospital Association, also found that:

- Educational
- Political
- Industrial
- Consumer
- Market
- Research
- Analysis

- Of all "problems and issues facing" Michigan, voters rated "improving the economy and jobs" (30 percent) and "making quality health care affordable and available" (25 percent) as the two they are most concerned about.

MORE

- 81 percent of voters believe that the lack of funding for Medicaid is harming access to health care for uninsured people.
- 73 percent of voters believe that government under-funding of Medicaid is driving higher health care costs onto Michigan employers and their employees.

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Health Care Employment By Counties & Regions

Here are the top 10 Michigan counties in terms of total direct health care jobs:

County	Direct Health Care Jobs	Wages, Salaries and Benefits
1. Wayne County	80,723	\$3.5 billion
2. Oakland County	64,217	\$2.8 billion
3. Kent County	31,701	\$1.3 billion
4. Macomb County	25,608	\$1.1 billion
5. Washtenaw County	23,777	\$1.1 billion
6. Genesee County	20,997	\$982 million
7. Ingham County	15,819	\$689 million
8. Kalamazoo County	13,264	\$629 million
9. Saginaw County	13,229	\$558 million
10. Ottawa County	7,883	\$263 million

Health care is a major employer in all Michigan geographic regions:

Region	Direct Jobs	Indirect and Induced Jobs	Total Jobs	Direct Jobs Wages, Salaries and Benefits	Indirect/Induced Wages, Salaries and Benefits	Total Wages, Salaries and Benefits
E. Central Michigan	34,645	15,693	50,338	\$1.32 billion	\$384 million	\$1.71 billion
Southwest Michigan	35,148	17,378	52,526	\$1.47 billion	\$474 million	\$1.94 billion
N. Central Michigan	22,863	10,259	33,122	\$923 million	\$252 million	\$1.17 billion
Mid-Michigan	44,057	22,937	66,994	\$1.91 billion	\$640 million	\$2.55 billion
Upper Peninsula	14,812	5,537	20,349	\$567 million	\$115 million	\$682 million
Southeast Michigan	208,845	107,317	316,162	\$9.1 billion	\$3.91 billion	\$13.01 billion
W. Central Michigan	65,573	31,924	97,497	\$2.51 billion	\$906 million	\$3.41 billion

Source: Minnesota IMPLAN® Group, Inc.

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The Partnership for Michigan's Health

10 CONCEPTS FOR MEDICAID REFORM

Michigan's rapidly deteriorating health care situation has prompted a coalition of health care organizations — collectively known as the Partnership for Michigan's Health — to seek a solution. The Michigan State Medical Society, the Michigan Health & Hospital Association and the Michigan Osteopathic Association are proposing 10 concepts to restructure the state's failing Medicaid program. Brief summaries of the "10 Concepts" follow.

1. **Medicare Parity** – Medicaid payment rates should be raised at least to the level of Medicare payments over the next 10 years.
2. **Organized Systems of Care** – The state should enter into contracts with a range of "care systems."
3. **Recognition of Regional Differences** – The state must seek to support care systems that will better conform to the needs of Michigan's diverse communities.
4. **Diversity in Structure of Health Care Systems** – The state should consider other models of care systems besides HMOs.
5. **Standardization of Payment Rates** – The state must return to a system of standard published payment rates. (Completed)
6. **Single Administrative System** – The state should implement a single, consolidated system to perform administrative tasks such as enrollment, payment of claims and other related functions.
7. **Care Systems with Provider Sponsorship** – The state should devise incentives for provider organizations to develop and operate care systems, particularly in places where the existing system is not working.
8. **Financial Regulation of Care Systems** – The state must make Medicaid payment rates meet the same tests for actuarial soundness and prompt payment as the commercial sector. (Completed)
9. **Support of Safety Net Providers** – The state must establish a new program of special Medicaid financing to support physicians and hospitals in areas that rely heavily on Medicaid.
10. **Health Care Coverage for All Michigan Residents** – The state should commit to developing local programs to provide access to basic services for every low-income resident by 2010.



The Partnership for Michigan's Health

Michigan State Medical Society

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MSMS was established in 1866 and currently represents more than 14,000 physicians. Its mission: to promote a health care environment which supports physicians in caring for and enhancing the health of Michigan citizens through science, quality and ethics in the practice of medicine.

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The MHA is composed of a blend of hospitals and health systems, and other organizations involved in health care. Its mission: to act as the principal advocate on behalf of hospitals, health systems and other providers committed to improving the community health status.

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MOA was formed in 1898 and currently represents more than 5,000 osteopathic physicians and students. Its mission: to advance the science and art of osteopathic medicine, surgery, education and research, as well as to improve health care...by shaping the health care delivery system on a local and national basis to better serve the community.

Lewin Wyatt, Jr., DO
President

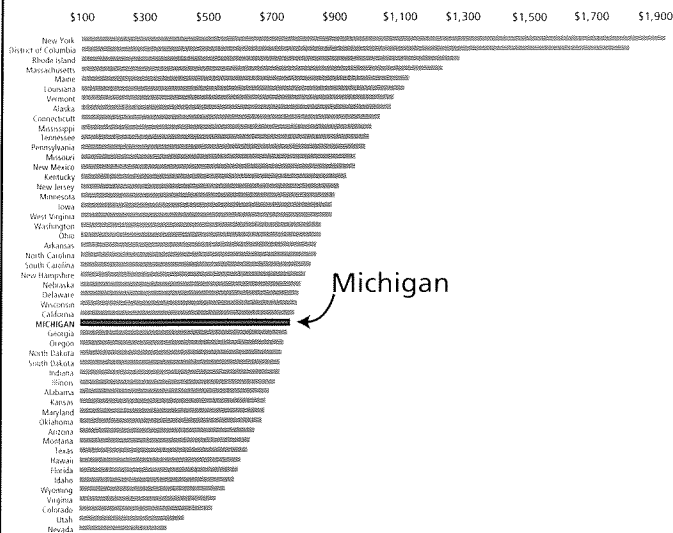
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Spin the Wheel of Misfortune

Who Gets Cut?



Medicaid Spending per Capita



Medicaid Expenditures by County (in Millions)

County	Expnd	County	Expnd	County	Expnd	County	Expnd
Alcona	\$9.6	Dickinson	\$23.1	Lake	\$11.7	Oceana	\$23.8
Alger	\$7.1	Eaton	\$48.1	Lapeer	\$46.5	Ogemaw	\$19.8
Allegan	\$61.6	Emmet	\$24.6	Leelanau	\$10.9	Ontonagon	\$8.2
Alpena	\$27.8	Genesee	\$337.6	Lenawee	\$57.2	Oscoda	\$19.1
Antrim	\$17.3	Gladwin	\$23.4	Livingston	\$21.0	Oscoda	\$8.0
Arenac	\$15.8	Gogebic	\$20.8	Luce	\$7.8	Otsego	\$17.2
Baraga	\$8.5	Grand Traverse	\$53.6	Mackinac	\$9.5	Ottawa	\$97.5
Barry	\$26.7	Gratiot	\$37.8	Macomb	\$384.2	Presque Isle	\$12.1
Bay	\$83.8	Hillsdale	\$33.6	Manistee	\$25.7	Roscommon	\$21.1
Benzie	\$13.7	Houghton	\$37.0	Marquette	\$53.2	Saginaw	\$177.9
Berrien	\$124.2	Huron	\$31.4	Mason	\$22.8	St. Clair	\$105.3
Branch	\$34.0	Ingham	\$178.6	Mecosta	\$29.8	St. Joseph	\$45.6
Calhoun	\$104.3	Ionia	\$35.6	Menominee	\$19.0	Sanilac	\$41.4
Cass	\$32.5	Iosco	\$24.0	Midland	\$55.4	Schoolcraft	\$10.5
Charlevoix	\$17.1	Iron	\$18.1	Missaukee	\$2.9	Shiawassee	\$47.8
Cheboygan	\$21.3	Isabella	\$66.3	Monroe	\$73.6	Tuscola	\$41.2
Chippewa	\$28.2	Jackson	\$101.7	Montcalm	\$36.1	VanBuren	\$59.9
Clare	\$30.6	Kalamazoo	\$171.2	Montmorency	\$10.2	Washtenaw	\$166.3
Clinton	\$26.5	Kalkaska	\$15.7	Muskegon	\$147.1	Wayne	\$1,940.3
Crawford	\$12.2	Kent	\$362.0	Newago	\$34.0	Wexford	\$33.8
Delta	\$35.3	Keweenaw	\$2.5	Oakland	\$531.2		

Kent County, along with Wayne, Oakland and Macomb, are among the counties with the highest Medicaid expenditures.

“To cut Medicaid by an amount that actually begins to solve Michigan’s budget woes, lawmakers will have to either kick a bunch of poor kids out of the program or snatch that arthritis prescription away from Aunt Edna.”

Medicaid Cuts Will Be Tough

By Peter Luke

Widows and orphans need not fret when lawmakers return to work and tackle, as promised, the exploding costs of state-funded health care for the indigent.

Nor should those in wheelchairs be concerned, added Senate Majority Leader Ken Sikkema late last year, even as he pointed out with dismay that Medicaid is squeezing other vital state programs, such as education.

For all the complaints about Medicaid chewing up ever-larger chunks of the state budget, the program provides few opportunities for budget cuts that could cure Michigan’s fiscal ailments.

As all those freshly elected conservatives in the Legislature with an itch to cut will soon discover, confronting Medicaid’s costs requires offending the fragile Michigan population that Medicaid serves.

When the ideology of budget-cutting meets the practicalities of caring for the young, the sick and the infirm, ideology always loses. Understand Medicaid and you will understand why.

No one is for denying medical services to widows or people in wheelchairs, but those are the most expensive patients to serve. Like Social Security, such services are an essential safety net without which Aunt Edna and Grandpa Joe would be out on the street or saddled with impossible medical bills.

As the Michigan League for Human Services noted in a December report,

just 25 percent of Medicaid’s enrollees consume 70 percent of the Medicaid budget.

According to one study cited by the Lansing-based advocacy group for the poor, the average expenditure per elderly Medicaid enrollee was \$11,636 in 2001. Nursing home and other long-term care consumes one in every five dollars spent on Medicaid. Add in prescription drug and other health care coverage, and a quarter of all Medicaid spending went to those 65 and older.

Per-capita Medicaid health care for the blind and disabled was nearly \$5,800 in 2001. Disabled Michigan residents who qualify for federal Supplemental Security Income benefits automatically qualify for Medicaid.

While non-elderly adults and children make up roughly 75 percent of the Medicaid eligible population, they consume just 30 percent of Medicaid spending.

Federal law mandates Medicaid coverage of pregnant women and children up to age 6 in households with less than \$21,000 in income. Michigan law also covers those women and children in households making up to \$29,000. In addition, Michigan covers older children in households with incomes of less than \$24,000.

The average Medicaid expenditure per child is less than \$900, one-twelfth the average cost of elder care.

As with older children in low-

income households, there are other optional coverages that Michigan provides. One was almost eliminated in 2002, but restored months later. It provides coverage for some 40,000 adult caretaker guardians, grandparents and other relatives of Medicaid-eligible children.

Assigning 40,000 Michigan residents to the ranks of the uninsured would have saved the state an estimated \$55 million. That’s a lot of money, but it’s less than 3 percent of what state taxpayers spend on Medicaid annually.

The most expensive optional service is prescription drug coverage, which carries a price tag of nearly \$600 million.

On a per-enrollee basis, Medicaid costs have been going up less than either private medical insurance or coverage for state employees. Medicaid’s budget is rising because more people are receiving services, an additional 300,000 since 2000. While the number of elderly in a caseload of more than 1.3 million hasn’t been rising disproportionately, it will in coming years as the population ages.

To cut Medicaid by an amount that actually begins to solve Michigan’s budget woes, lawmakers will have to either kick a bunch of poor kids out of the program or snatch that arthritis prescription away from Aunt Edna.

Easier said than done. Just a hunch: It’s not even that easy to say.

The Grand Rapids Press
Sunday, January 9, 2005

Why Medicaid Underfunding Threatens Access to Care

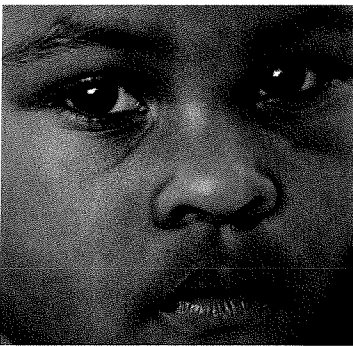
Because Michigan's Medicaid program has been chronically underfunded for so many years, physicians are increasingly forced into a moral dilemma: "Do I limit or stop seeing Medicaid patients, or do I go out of business?"

Out of an ethical obligation, most Michigan physicians still accept some Medicaid patients, but the percentage is dwindling. In 1999, physician participation in the Medicaid program was 88.2 percent. In 2005, it has dropped to 65.3 percent.

When Medicaid reimbursements do not even cover the cost of providing the care, physicians must make difficult economic decisions so they can keep their doors open and services available to other patients.

Procedure Code Description	Medicaid Rate	Medicare Rate	Percent Difference
Established Patient	\$21	\$57	37%
Ultrasound, uterus, abdominal	\$81	\$152	53%
Newborn history and exam	\$36	\$66	55%
Office consultation level III	\$72	\$136	53%
Total knee replacement	\$886	\$1,813	49%

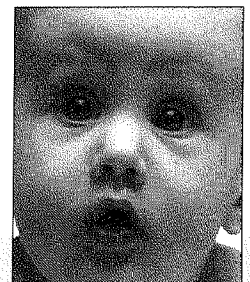
Michigan Not Living Up to State/Federal Laws for Funding



- On average, Medicaid reimbursement to physicians is about half of that paid by Medicare and discounted commercial insurers. Most specialty care reimbursement is even less.
- Medicaid is currently underfunded by more than \$950 million when comparing Medicaid and Medicare reimbursement for the same procedures. This disparity is even greater when compared to commercial insurers.
- For every dollar of health care delivered, Michigan hospitals get back only about 73 cents from Medicaid.
- In addition to moral and ethical obligations, the state of Michigan is required by state and federal law to fund the Medicaid program at a level that ensures eligible patients have the same access to care as the insured population.

Underfunding Medicaid Reduces Access, Costs Everyone More

- Access to health care is reduced for everyone in a community when a **physician is forced to leave** because of low Medicaid reimbursements. Further cuts will only drain more physicians from these communities.
- **Everyone** in a community **suffers** when a hospital is forced to reduce or eliminate services and lay off workers. Some hospitals **no longer deliver babies**. Others no longer provide mental health services, smoking cessation and nutrition programs or day care services.
- **A hidden tax on businesses** in the form of double-digit increases in employee health care premiums results from more and more Medicaid patients using the most expensive form of health care, hospital emergency rooms.
- Saddling employers and employees with **higher health care costs** because state government is cutting Medicaid does not make economic sense. When struggling employers are forced to cut benefits, many of those "working poor" are forced onto Medicaid.



Ned Hughes Jr., president of Gerber Memorial Health System in Fremont, said 17 percent of patients in Newaygo County are on Medicaid. And Gerber Memorial only gets 70 cents in reimbursement for every dollar of costs in treating these patients.

"Gerber in our town could not sell baby food and lose 30 cents on every jar of food," Hughes said.

—*The Grand Rapids Press*, January 8, 2005



Odds are good that you know someone who benefits from Michigan's Medicaid program.

- 1 in 7 people in Michigan—about 1.4 million—are enrolled in Medicaid.
- The face of Medicaid is by and large, the face of our parents and grandparents. Elderly and disabled account for 70 percent of our Medicaid costs, mainly for long-term care and prescription drugs.
- In terms of total patients served, the face of Medicaid is the face of children and their moms. These patients, along with the blind and low-income adults, make up 70 percent of Medicaid patients but use only 30 percent of our Medicaid budget for medical care services.

Who would you cut? ***There are no easy answers.***



MICHIGAN LEGISLATORS' GUIDE *face* OF MEDICAID

But we do know this:

Many state programs and services are important, but health care is essential.

Cutting health care for Michigan's most vulnerable citizens is not a wise investment in the future. Michigan already leads the nation in several chronic diseases including diabetes, obesity and heart disease.

Cutting Medicaid simply forces more and more people to use the most expensive form of health care services, a hospital emergency room. These costs are passed on to businesses as a "hidden tax" in increased health care insurance premiums.

Cutting funding for Medicaid again—it's already nearly a billion dollars underfunded—will only increase Michigan's status as a "donor state" that sends more tax dollars to Washington than it gets back.

The measure of a society is how it treats its most vulnerable members.

Cutting funding is not a good measure.

We see the face of Medicaid every day. Please look inside to see what we see.



The Partnership for Michigan's Health



Prenatal Care Less Available to Poor

The study showed less than 25 percent of obstetrics and gynecology practices in the region treat pregnant women who do not have private health insurance.

“When three-fourths of OB physicians will not accept a woman on Medicaid, it’s disappointing,” said Lody Zwarensteyn, the Grand Rapids Alliance for Health president.

— The Grand Rapids Press,
July 29, 2004

Infant Deaths: Waste No Time or Effort Trying to Reverse State Trend

State health workers won’t be able to do their jobs if Medicaid and other programs that help the poor and uninsured get scalped as part of budget cutbacks.

Moms-to-be need much more attention and outreach, not less.

— The Detroit Free Press, January 19, 2005



No Easy Fix on Medicaid, Despite Sikkema Rhetoric

Michigan budget woes were brought on by anemic state revenues stemming largely from job losses, plus tax cuts approved during robust economic times. State government has coped by reducing spending, raiding savings and hiking the cigarette tax and fees.

However, the easy answers are used up. Lansing’s political leaders must find a bigger solution to the financial problems than paring Medicaid could possibly provide.

— The Ann Arbor News, January 3, 2004

Granholtz: Federal Help Needed To Cut Medicaid

Ms. Olszewski argued that cutting any of those recipients would essentially mean passing off costs to hospitals and to private insurance.

“Anybody who loses Medicaid eligibility is going to the ranks of the uninsured,” she said.

“Factors such as unemployment, obviously, do have an effect, but so does the phenomenon of more employers not offering insurance,” Olszewski said.

— Gongwer News Service,
January 19, 2005

People’s Lives and Hospital Budgets are on the Line in the Debate Over Possible Cuts

A solid quarter of Medicaid households earn some income, just not enough, in jobs that don’t provide private health insurance.

Medicaid is also the thin reed that some of the state’s struggling hospitals lean on to keep their doors open. More than \$1 billion of the Medicaid budget goes to hospitals, and throwing more people into the ranks of the uninsured would swamp them with another wave of uncompensated costs.

— The Detroit Free Press, January 23, 2005



THE *face* OF MEDICAID



Who Does the Michigan Medicaid Program Cover?

- Medicaid covers 1.42 million Michigan citizens from every county in the state (as of February 2005)
- Medicaid covers (2004 data):
 - 810,665 age 0-19
 - 432,355 age 20-64
 - 108,088 age 65 and older
- Medicaid covers 67 percent of Michigan nursing home patients
- Medicaid covers 33 percent of all births in Michigan
- Medicaid covers 50 percent of the state's mental health costs

How Much is Being Spent?

- Michigan's Medicaid budget in 2004 totaled about \$7.3 billion
- Because Medicaid is a shared program with the federal government, more than 60 percent of that total is new federal dollars coming into the state of Michigan.

Medicaid Spending per Enrollee in 2002 (most recent data available) was:

- \$821 per child
- \$1,586 per adult
- \$5,414 per blind or disabled person
- \$8,852 per elderly person (acute and long-term care)

Who Accounts for the Recent Increase in Medicaid Enrollment?

- Over the past three years, children under 18 accounted for 55 percent of the Medicaid enrollment increase.
- Older children, 19 to 21, accounted for another 6.5 percent increase for a total of 61.5 percent increase in children and young adults.
- Adults accounted for 27 percent of the increase over the past three years. Many of these adults are "working poor" in jobs with no health care benefits or who have become unemployed and lost benefits.
- The disabled accounted for another 10.9 percent.
- All others accounted for less than one percent.

The Value of Medicaid

Medicaid Provides Jobs in Michigan

- Anyone planning to cut Medicaid funding is planning to cut jobs in Michigan.
- Each \$1 million of state funds in Medicaid generates, on average, 33.76 new jobs. (U.S. Department of Commerce, Bureau of Economic Analysis, RIMS II Model)
- Michigan's investment in Medicaid will result in 98,773 new jobs. (ibid)
- A Medicaid budget cut of even 5 percent will result in a loss of 4,929 Michigan jobs. (ibid)
- Health care in Michigan, overall, provides 425,000 direct jobs and is Michigan's largest single employer, exceeding agriculture, tourism and automotive/manufacturing sectors. (*Economic Impact of Health Care in Michigan*, 2004)
- Michigan health care workers earn more than \$17 billion a year in wages, salaries and benefits. (ibid)
- Each health care job adds an average of \$55,000 to a local community's economy, which, in turn, provides additional jobs and tax revenue for schools, roads and police and fire services. (ibid)

Medicaid Provides Healthy Workers

- Michigan needs a healthy and productive workforce to attract new business and industry. (Michigan Economic Development Corporation)
- After decades of cuts to Medicaid and public health programs, Michigan now leads the nation in many chronic illnesses including diabetes, obesity, heart disease, and infant mortality. (ibid)
- Medicaid cuts will only exacerbate Michigan's poor health status.

Medicaid Makes Economic Sense

- Funding Medicaid decreases Michigan's status as a "donor" state, a state that sends more money to Washington than it gets back. For every \$1 spent on Medicaid services in Michigan, the federal government pays 59 cents and the state pays 41 cents. The federal share is lost when state dollars are cut. (State of Michigan Medical Services Administration)
- The federal share of Medicaid is new money infused into Michigan's economy. Every \$1 million a state invests in Medicaid will generate, on average, \$3.35 million in new state business activity. (U.S. Department of Commerce)
- Funding Medicaid helps keep patients from using hospital emergency rooms for primary health care, which, in turn, creates a "hidden tax" of increased premiums for employers who do provide health benefits. (*Grand Rapids Press*, Jan. 8, 2005, Alliance for Health Forum)
- Improving provider reimbursement by government entities and programs will help reduce health care cost subsidization by Michigan businesses. (Michigan Chamber of Commerce 2005-2006 Legislative Priorities)
- Michigan hospitals provided \$1.1 billion in free care in 2003. (2005 *Michigan Health & Hospital Association Community Benefits Report*)